

~~SECRET~~

Iceland

Iceland has become increasingly dependent upon the Soviet Bloc as a market for its exports. In 1955 the USSR was Iceland's largest customer while the Bloc as a whole took 27.7 percent of total exports. Assuming a likely 20 percent increase in total exports in 1956 over 1955 the Bloc will absorb over 30 percent of Iceland's exports in 1956 and almost 35 percent in 1957.

Afghanistan

In the past several years, the USSR has considerably improved its trade position with Afghanistan, ranking as a leading market for Afghan goods, the largest single exporter to Afghanistan, and as their principal creditor. Currently, Afghanistan obtains the greater part of its gasoline, diesel oil, hardware, sugar and cement from the USSR. The restrictions imposed on transit trade by Pakistan furnished the USSR with an opportunity to tie the Afghan economy closer to that of the Bloc. The USSR furnished essential imports curtailed from other sources and extended transit privileges on economical terms.

Egypt

Egypt has found the Sino-Soviet Bloc a willing purchaser in the past three years of her principal export, cotton. In 1955-56 Sino-Soviet Bloc countries took nearly 40 percent of Egypt's cotton, as

~~SECRET~~

SECRET

opposed to about 15 percent per year in the 1948-54 period. Although Egypt's non-military imports from the Bloc have been increasing so that in the first 8 months of 1956 they amounted to about 12 percent of total imports, Egypt has maintained a decidedly favorable balance in trade with the Bloc.

Bloc credits to Egypt currently total \$163.6 million, of which nearly \$450 million was extended for the purchase of arms. Payment for these arms is to be made over 4 years with interest at 2 percent by deliveries of cotton. Although reports of new Soviet loans are unsubstantiated, Egypt's current attitude toward assets of foreign firms will seriously limit the sources of foreign capital for investment and will tend to orient the government to the Bloc as a source for investment loans.